

TOWNSHIP OF WHITE PIGEON
BUILDING AUTHORITY
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Pigeon Township Building Authority	County St. Joseph
Audit Date 6/30/05	Opinion Date 12/6/05	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury. **RECEIVED**
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised. **JAN 03 2006**
2. We are certified public accountants registered to practice in Michigan.

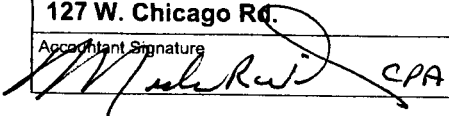
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations. **LOCAL AUDIT & FINANCE DIV.**

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

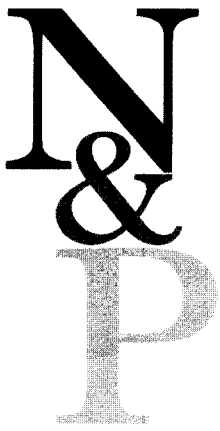
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 127 W. Chicago Rd.		City Sturgis	State MI
Accountant Signature  CPA		ZIP 49091	Date 12/30/05

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INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS

To the Board of Commissioners
Township of White Pigeon Building Authority
St. Joseph County, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

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We have audited the accompanying basic financial statements of the Township of White Pigeon Building Authority (the Authority) as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Township of White Pigeon Building Authority as of June 30, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

December 6, 2005

Norman & Paulsen, P.C.

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Using This Annual Report

This annual report consists of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. Along with the footnotes, they provide detailed financial information concerning the Authority. This section, the Management's Discussion and Analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the purpose of the Authority. The Authority was formed in 1999 to finance, construct the fire station and renovate the library building. The Authority's income primarily comes from rental income from its tenant, White Pigeon Township.

	<u>2005</u>	<u>2004</u>
ASSETS		
Current	\$ 211,777	\$ 184,555
Non Current	<u>946,223</u>	<u>981,027</u>
Total Assets	1,158,000	1,165,582
LIABILITIES		
Current	108,715	110,214
Non Current	<u>520,000</u>	<u>620,000</u>
Total Liabilities	<u>628,715</u>	<u>730,214</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	326,223	261,027
Unrestricted	<u>203,062</u>	<u>174,341</u>
Total Net Assets	<u>\$ 529,285</u>	<u>\$ 435,368</u>

During the year ended June 30, 2005, net assets increased by \$93,917. This was a planned increase to accumulate funds for future debt service requirements.

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the change in net assets for the years ending June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Revenue		
Rental Income	\$ 165,815	\$ 171,673
Interest Income	<u>2,839</u>	<u>1,008</u>
Total Revenue	168,654	172,681
Expenses		
Depreciation	34,804	26,103
Interest on Bonds	39,358	45,358
Other Fees	<u>575</u>	<u>1,341</u>
Total Expenses	<u>74,737</u>	<u>72,802</u>
Change in Net Assets	93,917	99,879
Net Assets - Beginning	<u>435,368</u>	<u>335,489</u>
Net Assets - Ending	<u>\$ 529,285</u>	<u>\$ 435,368</u>

Capital Asset and Debt Administration

During the year ended June 30, 2005, there were no capital asset additions or disposals.

During the year ended June 30, 2005, the total debt obligations decreased by the scheduled principal payment of \$100,000.

Contacting the Authority's Management

This financial report is intended to provide the Township of White Pigeon with a general overview of the Authority's finances, and to show the Authority's accountability for the money it receives from its tenant. If you have questions about this report, the Authority may be contacted for additional information.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

Cash and cash equivalents	\$ 211,777
Capital assets, net	<u>946,223</u>
Total assets	1,158,000

LIABILITIES

Accrued interest payable	8,715
Bonds payable, due within one year	100,000
Bonds payable, long-term	<u>520,000</u>
Total liabilities	628,715

NET ASSETS

Invested in capital assets, net of related debt	326,223
Unrestricted	<u>203,062</u>
Total net assets	<u>\$ 529,285</u>

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005

OPERATING REVENUES	
Rental income	\$ 165,815
OPERATING EXPENSES	
Depreciation	<u>34,804</u>
Operating profit	131,011
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,839
Interest expense	(39,358)
Other expenses	<u>(575)</u>
Total non-operating revenues (expenses)	<u>(37,094)</u>
Change in net assets	93,917
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>435,368</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 529,285</u>

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Rental receipts \$ 165,815

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on debt (100,000)

Interest and fees paid on debt (41,432)

(141,432)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received 2,839

NET INCREASE IN CASH

27,222

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

184,555

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 211,777

Reconciliation of operating income to net
cash provided by operating activities:

Operating income \$ 131,011

Adjustments to reconcile operating income to
net cash provided by operating activities:

Depreciation 34,804

Net cash provided by operating activities \$ 165,815

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE 1 - REPORTING ENTITY

The Township of White Pigeon Building Authority, a public corporation organized and existing under authority of Act 31, Public Acts of Michigan, 1948, as amended, was formed in October 1999. Its primary objective being to undertake the acquisition, construction, furnishing, and equipping of certain public facilities, namely a fire station and library, and subsequently leasing those same facilities to the Township of White Pigeon. The Authority is governed by a three person board appointed by the Township Board.

The financial operations of the Authority are blended into the financial statements of the Township of White Pigeon. In accordance with generally accepted accounting principles, there are no component units included in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental building authorities. The following is a summary of the more significant policies:

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments*, issued in June 1999.

Basis of Accounting - The accounts of the Township of White Pigeon Building Authority are organized as an Enterprise Fund, which is used to account for its operations as a lessor of governmental buildings.

The accrual basis of accounting is used to account for the operations of this Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents - The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Buildings and improvements are recorded at cost. Depreciation is computed by the straight-line method based on the estimated useful life of 30 years.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND EQUIVALENTS

The Authority's cash and cash equivalents at June 30, 2005 are composed of the following:

Savings account	\$ 1,009
Bank municipal investment fund	<u>210,768</u>
	<u>\$ 211,777</u>

The savings account is covered by federal depository insurance. The bank municipal investment fund is not categorized by risk. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution it deposits Authority funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

Depreciation expense included in the determination of net earnings for the year ended June 30, 2005, amounted to \$34,804. Depreciation is computed by the straight-line method over the estimated useful life of 30 years. Capital asset categories and accumulated depreciation are summarized as follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2005</u>
Building	\$ 696,444	\$ -	\$ -	\$ 696,444
Building improvements	<u>347,665</u>	<u>-</u>	<u>-</u>	<u>347,665</u>
Total	1,044,109	-	-	1,044,109
Less accumulated depreciation	<u>63,082</u>	<u>34,804</u>	<u>-</u>	<u>97,886</u>
Net capital assets	<u>\$ 981,027</u>			<u>\$ 946,223</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt obligation activity can be summarized as follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>Due Within One Year</u>
Bonds	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 620,000</u>	<u>\$ 100,000</u>

General obligation bonds consist of:

\$995,000 Building Authority unlimited tax bonds of 2000 (fire station construction and library building renovations) due in annual installments of \$100,000 to \$150,000 through April 1, 2010; interest at 5.60%

\$ 620,000

TOWNSHIP OF WHITE PIGEON BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT - Continued

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 100,000	\$ 34,858	\$ 134,858
2007	100,000	29,107	129,107
2008	125,000	23,608	148,608
2009	145,000	16,670	161,670
2010	<u>150,000</u>	<u>8,550</u>	<u>158,550</u>
	<u>\$ 620,000</u>	<u>\$ 112,793</u>	<u>\$ 732,793</u>

The debt will be repaid by rental income received from White Pigeon Township. The Township will pay as rent to the Building Authority all sums necessary to retire the principal of and interest on its bonds. Under the contract or lease the Township's required payments to the Building Authority will be unlimited tax full faith and credit general obligations payable from any available funds of the Township, and the Township will be required to levy ad valorem taxes on all taxable property within its boundaries, to the extent necessary to make the payments required to retire the bonds and interest thereon, if other funds for that purpose are not available.